

Wellbeing  
Budget 2023  
SUPPORT FOR TODAY  
BUILDING FOR TOMORROW



# Budget at a Glance

18 May 2023

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Te Kāwanatanga o Aotearoa  
New Zealand Government

# WELLBEING BUDGET 2023: SUPPORT FOR TODAY BUILDING FOR TOMORROW

*Budget 2023 responds to the immediate financial pressures affecting New Zealanders, while ensuring that we are improving the resilience of Aotearoa New Zealand's critical infrastructure and investing in a more productive economy.*

## **We are focused on the issues that matter most to New Zealanders:**

- supporting New Zealanders with the cost of living
- delivering the services New Zealanders rely on
- recovery and resilience, and
- fiscal sustainability.

Taking a balanced and targeted approach is essential so we can support New Zealanders today while building for tomorrow. We have undertaken significant reprioritisation of our work programme to focus on doing fewer things better.

These savings have allowed us to re-invest in helping ease **cost of living pressures**, invest in **health, education** and **housing** and boosting our **infrastructure**. We are also looking ahead to **supporting businesses** to grow high wage jobs, and make progress to meet our climate goals.

# COST OF LIVING SUPPORT

High inflation in New Zealand and around the world has put pressure on Kiwi households. The Government has already delivered significant support through the Cost of Living Payment, lower fuel prices, half price public transport, and increases to Working for Families, superannuation, and benefits. Budget 2023 provides further support for Kiwis.

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## Extending 20 hours ECE to 2 year olds

**\$1.2b**  
operating

Helping parents manage costs by expanding eligibility criteria for Childcare Assistance, extending 20 hours early childhood education (ECE) for three-to-five year olds to cover two-year-olds, and increasing the rate of the subsidy with additional conditions to help ensure that savings are passed on to parents. These changes will help bring parents back into the workforce, which will also have a positive impact on the economy.

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## Scrapping prescription co-payments

**\$619m**  
operating

Improving healthcare by removing the \$5 co-payment that can act as a barrier to accessing prescriptions. This will support an estimated 3 million New Zealanders each year to access cheaper medicines.

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## Free public transport for kids

**\$327m**  
operating

Free public transport for children under 13 and permanent half-price fares for under 25s, increasing the number of people with free or half-price public transport to 1.6 million.

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## KiwiSaver contributions for paid parental leave

**\$20m**  
operating

Changes to the KiwiSaver scheme that will address long-term inequities for working parents. By paying a matching KiwiSaver 'employer' contribution to paid parental leave recipients, we are recognising the unpaid nature of childcare and incentivising recipients of paid parental leave to save for their retirement.

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## Cheaper energy bills

**\$403m**  
operating

Lowering household energy bills through an expanded Warmer Kiwi Homes Programme that will provide approximately 100,000 new heating and insulation installations, 7,500 hot-water heat pumps and 5 million LED light bulbs.

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# RECOVERY AND RESILIENCE

## Cyclone Recovery

Our communities, businesses and whānau are continuing to feel the effects of the Auckland Anniversary floods and Cyclone Gabrielle. Budget 2023 builds on the \$889 million already provided in the immediate response to the events, with funding that supports the recovery and invests in regional resilience.

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<b>Infrastructure investment in affected regions</b>	<b>\$609m</b> operating
Investing to meet the immediate needs of afflicted regions, including reinstating our roads and rail network, and repairing and rebuilding whānau homes and damaged schools.	<b>\$195m</b> capital

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<b>Business and community support</b>	<b>\$130m</b> operating
Building on the existing support provided in our immediate response for affected whānau and businesses, including funding for temporary accommodation and health services, and targeted support for Māori and rural communities.	

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<b>Protecting communities</b>	<b>\$120m</b> operating
Protecting communities from future climate events, including a \$100 million fund to help councils invest in future flood resilience.	

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## Building for Tomorrow

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<b>Infrastructure investment pipeline</b>
The Government has committed \$71 billion across the next five years for new and existing infrastructure investments, in addition to funding set aside for projects that are still in the planning stage.

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<b>National Resilience Plan</b>
In addition to our existing pipeline, we are allocating \$6 billion into a new National Resilience Plan to support medium and long-term infrastructure investment. This programme will initially focus on building back better from the recent weather events, but will also fund strategic investments to address our long-term infrastructure deficit and develop a credible pipeline to support our Infrastructure Action Plan.

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# RECOVERY AND RESILIENCE

## Science & Technology

Budget 2023 positions the New Zealand economy for the future with a major investment into our science, digital and horticultural technology sectors.

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### Supporting the growth of our gaming sector

**\$160m**  
operating

Our gaming sector is rapidly growing and is a strong contributor to New Zealand's economy. By providing a 20 percent rebate for video game developers, we will ensure that this sector continues to grow and create high-skill, high-wage jobs.

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### Investing in scientific research centres

**\$400m**  
capital  
**\$51m**  
operating

We are creating three multi-institution research hubs that will bring scientists closer together to increase collaboration, ensure better use of expensive equipment and facilities, and position New Zealand to meet complex challenges including health and wellbeing, climate change, and advanced manufacturing and technology.

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### Building international research partnerships

**\$38m**  
operating

Budget 2023 provides funding for New Zealand to join the European Union's Horizon Europe initiative, allowing researchers based in New Zealand to work closely with European researchers to solve global challenges, including climate change, energy and global health issues.

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### Continuing support for industry transformation

**\$75m**  
operating

We are supporting New Zealand to become a high-wage, low-emissions economy, by providing further funding for Industry Transformation Plans, including:

- \$27 million for a digital skills package to address the skills shortage in our tech sector workforce, with a focus on making pathways into the sector more accessible for underrepresented groups.
  - \$30 million to scale up New Zealand's innovative horticulture technology industry, helping to increase productivity in environmentally sustainable ways.
  - \$18 million to drive better career opportunities, improved working conditions and greater innovation within our tourism and hospitality sectors.
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# DELIVERING SERVICES NEW ZEALANDERS RELY ON

Through Budget 2023, the Government is making significant investments to protect and improve the critical public services New Zealanders rely on.

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## 3,000 additional public housing places

In this Budget we have sought to balance market capacity constraints while delivering targeted infrastructure investments that support our goals. This includes funding to deliver 3,000 new public housing places in addition to the 14,050 funded since 2018.

**\$3.1b**  
capital  
**\$465m**  
operating

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## Education

We are investing in a range of initiatives to boost skills, improve achievement, reduce class sizes, and lift teacher pay. This investment includes \$1 billion for contributions to ECE, school and tertiary providers' operating costs; keeping disengaged students in school; extending the Apprenticeship Boost programme; and new classrooms and schools for 6,600 additional student places

**\$3.6b**  
operating  
**\$1.3b**  
capital

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## Supporting Kiwis into work

We are permanently reinstating the Training Incentive Allowance to assist sole parents, disabled people and their carers to study. We are also supporting disabled Kiwis into work through continuing the Oranga Mahi health and employment service trials.

**\$190m**  
operating  
**\$48m**  
capital

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## Health

As we enter the second year of the multi-year Health funding package agreed in Budget 2022, we are continuing to focus on winter, workforce and waitlists, as well as the health reforms and equity. Specific investments include more than \$1 billion to increase pay rates and boost staff numbers, and \$20 million to lift COVID-19 immunisation and screening coverage for Māori and Pacific peoples.

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## Law and order

Budget 2022 included three budgets' worth of funding for the cluster of Justice sector agencies, providing resources and tools to plan ahead and achieve meaningful, long-term change. One year on, we are seeing the impacts of this multi-year funding approach, including through a new early intervention approach that is reducing youth re-offending, and funding to increase Police staffing to match population growth.

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# CLIMATE EMERGENCY RESPONSE FUND

Recent extreme weather events demonstrate the importance of acting on climate change and strengthening our resilience to its impacts. We also need to ensure that measures taken to mitigate climate change do not put pressures on the cost of living.

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## Electric vehicle charging infrastructure

**\$120m**  
operating

Households looking to switch to electric vehicles want to be certain they will have access to charging facilities when they need them. To support New Zealanders to adopt electric vehicles, we are expanding the growing network of charging hubs to underserved areas.

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## Accelerating private investment in lower emissions

**\$300m**  
capital

To further incentivise climate innovation, we are helping to accelerate private investment in low-emissions activities through New Zealand Green Investment Finance Limited.

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## Supporting community energy resilience

**\$50m**  
operating

Some communities in New Zealand face challenges accessing reliable and affordable energy – and have higher risk of energy outages from natural hazards. To improve access, affordability, and security of energy in remote, low-income, and energy-insecure communities, we are investing in renewable energy solutions.

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## Improving our data on the impacts of climate change

**\$45m**  
operating

To improve our resilience to climate hazards, we are enhancing our data on adaptation and mitigation, including data on how climate change impacts Māori.

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## Decarbonising hard-to-abate sectors

**\$32m**  
operating

Some regions and sectors face greater barriers to decarbonisation than others, due to a lack of available or affordable low-emissions solutions. In order to help decarbonise energy in hard-to-abate sectors, we are investing in green hydrogen.

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*The Climate Emergency Response Fund is a multi-year fund which recycles proceeds from the Emissions Trading Scheme and therefore does not affect debt.*

# MĀORI AND PACIFIC

Budget 2023 includes a range of investments to support Māori and Pacific peoples.

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## Māori housing and infrastructure

**\$223m**  
operating

Investments to improve housing outcomes for Māori in Budget 2023 include \$23 million for an extension to the Te Ringa Hāpai Whenua Fund and \$200 million to increase the supply of Māori housing and repair Māori properties.

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## Whānau and tamariki

**\$282m**  
operating

Budget 2023 lays foundations for success for tamariki Māori, including through funding for Māori medium school infrastructure. We are also providing support for whānau Māori through expanding Whānau Ora services and support for wāhine hapū in the first 1,000 days of life for their pēpi.

**\$128m**  
capital

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## Natural environment and climate change

**\$60m**  
operating

Climate change will increase the vulnerability of many communities in New Zealand to extreme weather events. As well as providing funding to repair 250 whānau Māori homes impacted by the North Island weather events, we are building Māori communities' resilience by improving their access to key climate data.

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## Language, culture, and identity

**\$143m**  
operating

Our investments to foster Māori and Pacific language and culture include improving access to Pacific language learning resources; supporting Te Reo Māori revitalisation; boosting funding for Te Matatini and the New Zealand Māori Arts and Crafts Institute; and providing resources for vibrant Matariki celebrations.

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## Pacific education, employment, wellbeing

**\$28m**  
operating

Pacific people are more likely than other New Zealanders to experience unemployment. Budget 2023 provides funding to implement the Pacific Employment Action Plan, and Pacific Wellbeing Strategy, to help Pacific workers into employment and training, and build the capability of this workforce.

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# WELLBEING OBJECTIVES

<p><b>Just Transition</b></p> <p>Supporting the transition to a climate-resilient, sustainable, and low-emissions economy.</p>	<p>Achieving a just transition means shifting towards a low-carbon economy in a way that supports workers, businesses and communities. In Budget 2023, we are investing \$1.9 billion from the Climate Emergency Response Fund in initiatives that work toward emissions reduction and adaptation, while also addressing cost of living concerns.</p>
<p><b>Physical and Mental Wellbeing</b></p> <p>Supporting improved health outcomes for all New Zealanders, minimising COVID-19 and protecting our communities.</p>	<p>Good physical and mental health, and timely access to care and support are fundamental to New Zealanders' long-term wellbeing. Through this Budget we are removing the cost of prescription co-payments to improve New Zealanders' access to the medicines they need and providing \$864 million total for the delivery of disability services. Budget 2023 also includes the second year of a two-year funding package to support the health system and reforms, with \$1.3 billion per annum for cost pressures in the system.</p>
<p><b>Future of Work</b></p> <p>Enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation.</p>	<p>Enabling all New Zealanders to benefit from the changing nature of work requires an investment in expanding access to training and technology infrastructure. Investments in this Budget include permanently reinstating the Training Incentive Allowance, a range of initiatives to help meet the Government's commitment to increasing investment in research and development to 2% of GDP, and \$75 million of further investment in Industry Transformation plans.</p>
<p><b>Māori and Pacific Peoples</b></p> <p>Lifting Māori and Pacific peoples' incomes, skills and opportunities, including through access to affordable, safe, and stable housing.</p>	<p>The ability for many Māori and Pacific peoples to have mana āheinga (the capability to decide on their aspirations and realise them) and build mana whanake (the power to grow sustainable, intergenerational prosperity) is impeded when health, education, housing and social welfare systems do not address multifaceted, intergenerational disadvantage. For this reason, we are making substantial investments in Māori and Pacific language, culture, and education; Pacific skills and employment; and Māori housing.</p>
<p><b>Child Wellbeing</b></p> <p>Reducing child poverty and improving child wellbeing, including through access to affordable, safe, and stable housing.</p>	<p>Investing in a good start in life for our children is one of the most important ways we can ensure the wellbeing of New Zealanders. This Budget includes funding to provide children facing the greatest socioeconomic barriers to education with access to a healthy lunch, improve access to early childhood education, and measures to improve school attendance.</p>

# ECONOMIC AND FISCAL OUTLOOK

## Economic outlook

New Zealand's economy has emerged from COVID-19 in a solid position, with the economy expanding by 2.4% over the 2022 calendar year and modest growth anticipated over 2023. However, growth remains relatively volatile due to global uncertainty such as the ongoing war in Ukraine and high rates of inflation around the world.

The Government's fiscal strategy ensures we can respond to events as they happen and plan for future shocks.

Annual CPI inflation peaked at 7.3% in June 2022, before easing to 6.7% at the start of 2023. It is forecast to keep falling, reaching 3% in the September 2024 quarter. Wages are expected to grow faster than inflation across the next four years by an average of 2.2% per year.

The Treasury is no longer forecasting a recession in 2023, as economic activity is boosted by the continued recovery from the North Island weather events and increased international tourism. However, certain sectors and regions will still experience the ongoing effects of extreme weather for some time.

## Our fiscal rules for sustainable finances

Fiscal rules are important for ensuring responsible fiscal management and for guiding our fiscal strategy decisions. We are committed to the two fiscal rules we introduced in Budget 2022.

<b>Adopting an OBEGAL* target as the main fiscal rule...</b>	<b>...combined with a net debt ceiling of 30 percent of GDP</b>
Our OBEGAL target is to return to surplus by 2025/26, supported by an aim to maintain a surplus of 0 to 2 percent of GDP on average thereafter.	The ceiling on net debt provides a backstop against the accumulation of deficits following economic shocks and ensures debt remains fiscally sustainable.

\*OBEGAL – Operating balance before gains and losses

## Savings, reprioritisation and revenue

New spending in this Budget is offset by \$4 billion in savings and reprioritisation and \$1.3 billion in additional revenue.

We are ensuring that we are prioritising the highest-value programmes and services by finding opportunities to reduce spending or redirect it to other activities, including through the refresh of Government priorities announced in March this year and repurposing a portion of funding set aside for the COVID-19 health response.

We are also improving the integrity of our tax system, by bringing the trustee tax rate in line with the top personal bracket.

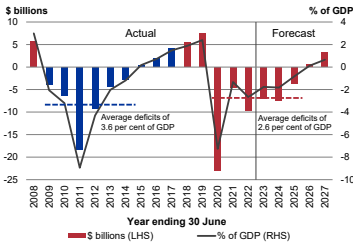
# ECONOMIC AND FISCAL OUTLOOK

## Fiscal outlook

The Government continues to run lower deficits as a percentage of GDP, on average, than the previous government following the Global Financial Crisis (GFC). This requires tough choices, but is important because it means we can keep debt under control while investing in the things that matter most to New Zealanders.

The books are set to return to surplus in 2025/26, marking six years of deficits due to COVID-19, the same as after the GFC. Net debt as a percentage of GDP will start falling after the 2023/24 year due to the Government's responsible fiscal stance.

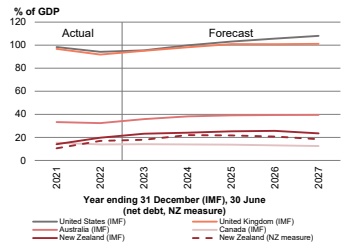
## OBEGAL



Source: The Treasury

\*OBEGAL – Operating balance before gains and losses

## Net debt



Source: International Monetary Fund (IMF)

(World Economic Outlook Database, April 2023), the Treasury

## Budget allowances

### \$billions

Operating allowances at Budget 2023 (per year)

### Budget Budget Budget Budget 2023 2024 2025 2026

4.8 3.5 3.5 3.5

### Capital allocations and allowances

Budget 2023 capital package

10.7\*

National Resilience Plan

← 6.0 →

Capital allowance for Budgets 2024-2026 (unallocated)

← 3.1 →

\*Excludes \$0.7 billion allocated from the MYCA alongside the Budget Policy Statement.

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